

## Qualitas

### Model Update

We are updating our model post 1Q26 results ([link](#)). For 2026, we increase our earnings forecast by 1% to Ps. 6,004mn, down -20% Y-o-Y and implying a 23% ROE. For 2027, we marginally increase our earnings forecast to Ps. 6,437 mn, up 7% Y-o-Y and implying a 24% ROE. The slight upward revision was driven mostly by a lower-than-expected claims cost despite new VAT rules after a better-than-expected 1Q26. Still, we expect the loss ratio to be up in the next quarters due to seasonality.

We are 7% above BBG consensus for 2026 (10 estimates) and in line with BBG consensus for 2027 (10 estimates).

We maintain our Dec-26 price target of Ps. 199 per share and our Neutral rating.

## Neutral

**Q.MX, Q\* MM**

Price (23 Apr 26):Ps181.19

**Price Target (Dec-26):Ps199.00**

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### Quarterly Forecasts (FYE Dec)

Adj. EPS (Ps)

	2025A	2026E	2027E
Q1	5.35	3.95A	3.98
Q2	3.51	3.62	4.32
Q3	4.33	4.05	4.12
Q4	5.61	3.62	3.92
FY	18.99	15.24	16.34

### Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	51	58	65	34	30
Growth	6	12	21	73	12
Momentum	67	27	60	93	19
Quality	15	25	19	43	4
Low Vol	80	78	54	12	51

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 5 for analyst certification and important disclosures, including non-US analyst disclosures.



### Price Performance



### Company Data

Shares O/S (mn)	394
52-week range (Ps)	237.18-155.72
Market cap (\$ mn)	4,117.08
Exchange rate	17.34
Free float (%)	100.0%
3M ADV (mn)	0.85
3M ADV (\$ mn)	8.2
Volatility (90 Day)	32
Index	MEXBOL
BBG ANR (Buy   Hold   Sell)	2 6 4

### Key Metrics (FYE Dec)

Ps in millions	FY25A	FY26E	FY27E	FY28E
<b>Financial Estimates</b>				
NEP (Premium)	69,323	78,125	85,224	93,895
Underwriting income	4,677	3,829	4,913	5,938
Net investment income	-	-	-	-
Operating income	-	-	-	-
Adj. PBT	9,787	8,496	9,116	10,572
Adj. net income	7,488	6,004	6,437	7,465
Adj. EPS	18.99	15.24	16.34	18.95
BBG EPS	15.02	14.35	16.31	18.21
DPS	10.14	9.14	11.43	12.26
Investments	-	-	-	-
BVPS	65.03	70.10	75.01	81.71
NAVPS	-	-	-	-
<b>Margins and Growth</b>				
Adj. EPS growth	48.5%	(19.7%)	7.2%	16.0%
<b>Ratios</b>				
Adj. tax rate	23.4%	29.2%	29.2%	29.2%
Loss ratio	62.2%	64.7%	63.5%	63.0%
Combined ratio	93.3%	95.1%	94.2%	93.7%
Invest inc. % of Investments	-	-	-	-
Regulatory solvency ratio	362.2%	305.7%	302.4%	306.4%
Leverage (Debt/Debt+Equity)	-	-	-	-
ROE	29.8%	22.5%	22.5%	24.2%
<b>Valuation</b>				
Dividend yield	5.6%	5.0%	6.3%	6.8%
Adj. P/E	9.5	11.9	11.1	9.6
P/BV	2.8	2.6	2.4	2.2

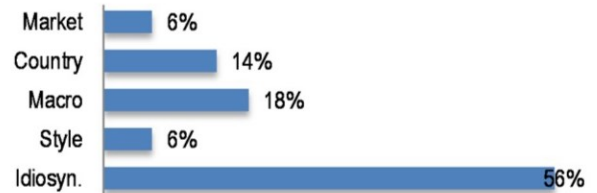
### Summary Investment Thesis and Valuation

#### Investment Thesis

We consider Qualitas the best-in-class auto insurer in Mexico, with a market share of ~33% of premiums and even larger share of the industry's profit pool. Through its vertically integrated model, the company enjoys higher operating leverage than its peers. Qualitas also has a proven track record of managing pricing risk, with consistent ROEs in a competitive industry. The company recently enjoyed strong growth in premiums as result of price hikes, which should allow for a normalization of loss ratios. We project Qualitas to continue delivering ROEs at ~20% or above as the company executes its underwriting strategy in Mexico, adds new geographies, and expands the business into new verticals.

We have a Neutral rating and a Dec-2026 price target of Ps. 199 per share.

#### Performance Drivers



Factors	6M Corr	1Y Corr
<b>Market:</b> MSCI EM Latam	0.52	0.27
<b>Country:</b> Mexico	0.40	0.39
<b>Macro:</b>		
JPM Global Equity Sentiment	0.54	0.35
US 10 Year Yield	-0.09	-0.22
Citi Economic Surprise - EM	0.16	0.17
<b>Quant Styles:</b>		
Quality	0.41	0.27
LowVol	0.32	0.21
Value	-0.21	-0.19

## Investment Thesis, Valuation and Risks

### **Qualitas** (Neutral; Price Target: Ps199.00)

#### **Investment Thesis**

We consider Qualitas the best-in-class auto insurer in Mexico, with a market share of ~33% of premiums and even larger share of the industry's profit pool. Through its vertically integrated model, the company enjoys higher operating leverage than its peers. Qualitas also has a proven track record of managing pricing risk, with consistent ROEs in a competitive industry. The company recently enjoyed strong growth in premiums as result of price hikes, which should allow for a normalization of loss ratios. We project Qualitas to continue delivering ROEs at ~20% or above as the company executes its underwriting strategy in Mexico, adds new geographies, and expands the business into new verticals.

#### **Valuation**

We have a Neutral rating and a Dec-26 price target of Ps. 199 per share. Our price target is based on a DDM-based model driven by comprehensive financial forecasts through 2030 using a 70% payout ratio. Our cost of equity assumption of 13.2% is the result of a risk-free rate of 4%, equity risk premium of 5.5%, country risk of 1.5%, inflation differential of 2.5%, and a beta of 0.95x. For perpetuity growth, we use a 6.0% nominal rate in local currency terms.

#### **Risks to Rating and Price Target**

As a Neutral-rated stock, risks are to the downside and upside:

Key upside risks include: (i) strong repricing allowing for the loss ratio in Mexico running below its historical average for some period; (ii) nearshoring trends allowing for stronger expansion in the US cross-border market; (iii) turnaround in Qualitas IC boosting consolidated ROE; (iv) new geographies and verticals generating stronger-than-anticipated revenues and results.

Key downside risks include: (i) stronger-than-anticipated decline in policy rates in Mexico and (ii) disappointing execution of new verticals and geographies.

## Qualitas: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY25A	FY26E	FY27E	FY28E	FY29E		1Q26A	2Q26E	3Q26E	4Q26E	
Gross written premium	75,804	84,060	92,803	102,119	112,390	Gross written premium	21,693A	19,774	19,471	23,122	
Net written premium	75,681	84,022	92,761	102,073	112,338	Net written premium	21,686A	19,753	19,479	23,105	
Unearned Premium	(6,358)	(5,898)	(7,537)	(8,178)	(9,040)	Unearned Premium	(2,886)A	(390)	396	(3,018)	
<b>Net Earned Premium</b>	<b>69,323</b>	<b>78,125</b>	<b>85,224</b>	<b>93,895</b>	<b>103,298</b>	<b>Net Earned Premium</b>	<b>18,800A</b>	<b>19,364</b>	<b>19,874</b>	<b>20,087</b>	
Loss & LAE	(43,152)	(50,567)	(54,148)	(59,185)	(65,112)	Loss & LAE	(11,775)A	(12,683)	(13,052)	(13,056)	
Underwriting expenses	(21,494)	(23,729)	(26,163)	(28,772)	(31,600)	Underwriting expenses	(5,987)A	(5,822)	(5,747)	(6,173)	
o/w Acquisition expenses	(17,491)	(19,398)	(21,380)	(23,513)	(25,863)	o/w Acquisition expenses	(4,899)A	(4,741)	(4,675)	(5,083)	
o/w G&A Expense	(4,003)	(4,331)	(4,783)	(5,259)	(5,736)	o/w G&A Expense	(1,088)A	(1,081)	(1,072)	(1,090)	
Fee income	-	-	-	-	-	Fee income	-	-	-	-	
<b>Underwriting income</b>	<b>4,677</b>	<b>3,829</b>	<b>4,913</b>	<b>5,938</b>	<b>6,586</b>	<b>Underwriting income</b>	<b>1,038A</b>	<b>858</b>	<b>1,075</b>	<b>858</b>	
Net Investment income	5,110	4,667	4,203	4,634	5,098	Net Investment income	1,176A	1,156	1,177	1,159	
Other income	-	-	-	-	-	Other income	-	-	-	-	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
<b>Adj. PBT</b>	<b>9,787</b>	<b>8,496</b>	<b>9,116</b>	<b>10,572</b>	<b>11,685</b>	<b>Adj. PBT</b>	<b>2,214A</b>	<b>2,014</b>	<b>2,252</b>	<b>2,016</b>	
Income taxes	(2,286)	(2,480)	(2,660)	(3,086)	(3,412)	Income taxes	(659)A	(584)	(653)	(585)	
<b>Adj. Net Income</b>	<b>7,488</b>	<b>6,004</b>	<b>6,437</b>	<b>7,465</b>	<b>8,250</b>	<b>Adj. Net Income</b>	<b>1,556A</b>	<b>1,426</b>	<b>1,594</b>	<b>1,428</b>	
Minority interest	(13)	(12)	(18)	(21)	(23)	Minority interest	1A	(4)	(5)	(4)	
Shares outstanding	<b>394</b>	<b>394</b>	<b>394</b>	<b>394</b>	<b>394</b>	Shares outstanding	<b>394A</b>	<b>394</b>	<b>394</b>	<b>394</b>	
<b>Adj. EPS</b>	18.99	15.24	16.34	18.95	20.94	<b>Adj. EPS</b>	3.95A	3.62	4.05	3.62	
Reported EPS	18.99	15.24	16.34	18.95	20.94	Reported EPS	3.95A	3.62	4.05	3.62	
DPS	10.14	9.14	11.43	12.26	14.21	DPS	0.00A	4.57	0.00	4.57	
Balance Sheet and Capital Data						Ratio Analysis					
	FY25A	FY26E	FY27E	FY28E	FY29E		FY25A	FY26E	FY27E	FY28E	FY29E
Cash & Cash Equivalents	55,165	54,920	56,855	59,491	62,142	Return on equity (ROE)	29.8%	22.5%	22.5%	24.2%	24.6%
Investments	-	-	-	-	-	Return on assets (ROA)	6.5%	5.1%	5.5%	6.0%	6.2%
o/w Equity investments	-	-	-	-	-	Claim loss ratio	62.2%	64.7%	63.5%	63.0%	63.0%
o/w Fixed income investments	-	-	-	-	-	Expense ratio	31.0%	30.4%	30.7%	30.6%	30.6%
<b>Total investments &amp; Cash</b>	<b>55,165</b>	<b>54,920</b>	<b>56,855</b>	<b>59,491</b>	<b>62,142</b>	Combined ratio	93.3%	95.1%	94.2%	93.7%	93.6%
Premiums receivable	-	-	-	-	-	Retention ratio	99.8%	100.0%	100.0%	100.0%	100.0%
Reinsurance recoverables	-	-	-	-	-	Net earned premium y/y Growth	13.3%	12.7%	9.1%	10.2%	10.0%
Net Fixed Assets	-	-	-	-	-	Adj. PBT y/y Growth	28.8%	(13.2%)	7.3%	16.0%	10.5%
Goodwill & intangibles	-	-	-	-	-	Adj. EPS y/y Growth	48.5%	(19.7%)	7.2%	16.0%	10.5%
Other long term assets	66,772	57,613	62,767	68,577	75,010	DPS y/y Growth	26.8%	(9.9%)	25.1%	7.2%	16.0%
<b>Total Assets</b>	<b>121,936</b>	<b>112,533</b>	<b>119,622</b>	<b>128,068</b>	<b>137,153</b>	Tax rate	23.4%	29.2%	29.2%	29.2%	29.2%
Reserves for loss and LAE	-	-	-	-	-	Adj. P/E (x)	9.5	11.9	11.1	9.6	8.7
Reinsurance Premium Payable	-	-	-	-	-	P/BV (x)	2.8	2.6	2.4	2.2	2.0
Debt	-	-	-	-	-	Dividend Yield	5.6%	5.0%	6.3%	6.8%	7.8%
Other liabilities	96,221	84,848	90,003	95,812	102,246	Dividend payout ratio	53.4%	60.0%	69.9%	64.7%	67.9%
<b>Total Liabilities</b>	<b>96,221</b>	<b>84,848</b>	<b>90,003</b>	<b>95,812</b>	<b>102,246</b>						
Shareholders' equity	25,646	27,613	29,548	32,184	34,836						
Minority Interests	70	72	72	72	72						
<b>Total Liabilities and Shareholder Equity</b>	<b>121,936</b>	<b>112,533</b>	<b>119,622</b>	<b>128,068</b>	<b>137,153</b>						
BVPS	65.03	70.10	75.01	81.71	88.44						

Source: Company reports and J.P. Morgan estimates.

Note: Ps in millions (except per-share data). Fiscal year ends Dec

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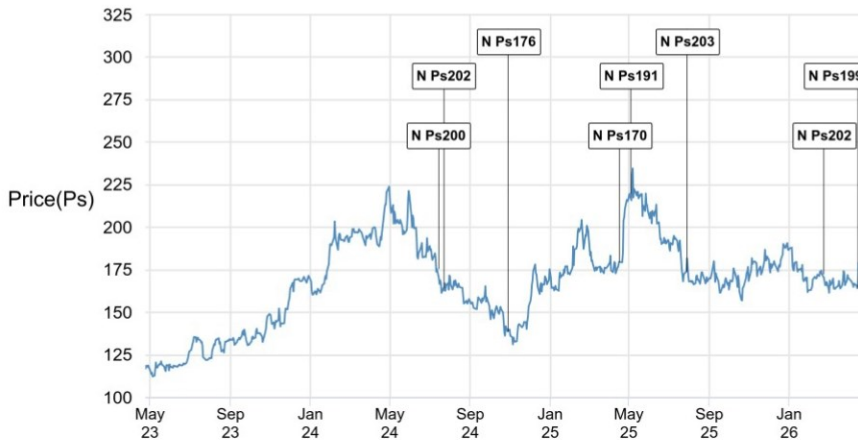
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Qualitas (Q.MX, Q\* MM) Price Chart



Date	Rating	Price (Ps)	Price Target (Ps)
15-Jul-24	N	175.50	200
23-Jul-24	N	164.29	202
29-Oct-24	N	138.80	176
17-Apr-25	N	179.64	170
05-May-25	N	219.66	191
29-Jul-25	N	174.03	203
23-Feb-26	N	172.41	202
16-Apr-26	N	164.18	199

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Jul 15, 2024. All share prices are as of market close on the previous business day.

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IB clients**	94%	93%	85%

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